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Date: September 11, 2000

To: County and District Superintendents
County and District Chief Business Officials
Charter School Administrators

From: Janet Sterling, Director
School Fiscal Services Division

Subject: Follow up: Financial Reporting for Charter Schools

This is a follow-up to our [May 22, 2000](#) letter to you about financial reporting for charter schools. In that letter, we stated the importance of collecting and reporting statewide financial data. This information is needed to comply with reporting requirements for California's public schools, which include providing comprehensive statewide fiscal data for annual reports to the Legislature and to the federal government. In the May 22 letter we also described the manner in which year-end financial information should be reported for charter schools.

The reporting options offered were:

- Report charter school data within the district's General Fund or county office of education's County School Service Fund (CSSF).
- Report charter school data in the newly established special revenue fund entitled Charter Schools Fund; this will be Fund 210/410 in the J-200 and Fund 09 for those local educational agencies (LEAs) reporting in the standardized account code structure (SACS). The special revenue fund will accommodate those districts and counties that prefer to report charter school activities separately from the activities of the approving LEA's General Fund/CSSF.
- Report charter school data using a combination of these two formats. For example, if there are multiple charter schools within the LEA, the LEA may choose to report the financial activities of some of its charter schools as part of the General Fund or CSSF, and report the financial activities of other charter schools in the separate Charter Schools Fund.

It has been brought to our attention that these may not be viable options for some charter schools and chartering entities due to agreements or understandings at the time the schools' charters were approved. For that reason, we are offering another financial reporting option:

- Report charter school data using the J-200/400 or SACS reporting format, but not as part of the district or county operations. This information must be sent through the chartering entity and county office of education, on either hard copy or using the J-200 or SACS

software. If needed, J-200 and SACS software can be downloaded from our School Fiscal Services Division web site at <http://www.cde.ca.gov/sfsdiv/>. Should this financial reporting option be selected, the level of scrutiny by the chartering entity and the county office of education (including verification and certification of data) is at the LEA's discretion.

Please note that county offices of education have received a listing of the approved charter schools for all LEAs within their county. Each approving LEA is to indicate on the checklist the manner in which the charter schools' finances are being reported. This checklist is submitted to us along with the financial reports. Because the checklist does not include the added option of reporting charter school financial data outside of the district or county operations, if that option is selected for any of the charter schools, it should be so noted on the checklist.

In asking that chartering entities and charter schools provide this financial information, we acknowledge that all aspects of the legal relationship between the chartering entity and its chartered schools are not precisely defined by statute. We recognize that there are issues of significant concern, as well as a variety of opinions on the extent of a chartering entity's accountability and liability for the charters it issues. But we also wish to make clear that our request for financial information is not intended to change any existing understanding, assumptions, or interpretations about the accountability and liability of chartering entities for their charter schools. In particular, by this request we do not intend to deviate from the views on charter school liability and accountability expressed in the June 12, 1997, memorandum of the California Department of Education's (CDE's) legal office (see <http://www.cde.ca.gov/charter/> and click on "Policy Information").

Yet there can be no doubt that chartering entities, which possess both the power to grant and the power to revoke a charter, have some oversight responsibility. In addition, there is no doubt that CDE is obligated to supply information regarding the financial activities of all public schools, which necessarily includes charter schools. The reporting options offered will assist in ensuring the completeness and accuracy of that information.

We apologize for the lateness of this correspondence, and recognize that the guidance and opinions expressed in this letter and our May 22 letter do not fully address or resolve the challenges we're facing. We continue to explore and discuss how the issues can best be addressed in a way that is sensitive to legislative intent, and that ensures accountability to the taxpayers of California for all of our public schools. Toward that end, should you have a particular point of view in this regard, or comments or suggestions about financial reporting or financial accountability for charter schools, we would appreciate hearing from you.

If charter schools need further assistance with financial reporting, they should contact their approving LEA. If you have any questions, please contact our Office of Financial Accountability and Information Services at (916) 322-1770, or by e-mail at faisinfo@cde.ca.gov.